



Transmitted via e-mail

March 24, 2014

Mr. Thomas Howard, Executive Director  
State Water Resources Control Board  
P.O. Box 100  
Sacramento, CA 95812-0100

Dear Mr. Howard:

**Final Report—California Urban Water Agencies, Proposition 50 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Urban Water Agencies' (CUWA) grant 04-185-555-3 issued by the State Water Resources Control Board, for the period of December 2004 through March 2011.

The enclosed report is for your information and use. Because there were no audit observations or issues requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of CUWA. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Alexis Calleance, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Leslie Laudon, Manager, Division of Financial Assistance, State Water Resources Control Board  
Ms. Kim Gossen, Fiscal Unit Manager, State Water Resources Control Board  
Ms. Jennifer Taylor, Budget Officer, State Water Resources Control Board  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Cindy Paulson, Executive Director, California Urban Water Agencies  
Mr. James McDaniel, Vice Chair, California Urban Water Agencies

# AUDIT REPORT

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## California Urban Water Agencies Proposition 50 Bond Program Grant Agreement 04-185-555-3



Sacramento-San Joaquin Delta  
Source: KQED Public Media

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Frances Parmelee  
Manager

Alexis Calleance  
Supervisor

### Staff

Carlos Carrazco  
Laura Reyes  
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Final reports are available on our website at <http://www.dof.ca.gov>

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# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## **BACKGROUND**

In November 2002, California voters passed the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50). Proposition 50 authorizes \$3.44 billion in general obligation bonds to finance a variety of resource programs.

The California Urban Water Agencies (CUWA) is an organization comprised of ten member agencies located throughout the Bay Area and Southern California regions. CUWA's mission is to provide a forum for combining the expertise and resources of its member agencies to study and promote the need for a reliable, high-quality water supply for the state's current and future urban water needs. CUWA develops technical information on California water to help inform policy debates and relevant efforts of the California Legislature and Administration.<sup>1</sup> CUWA was awarded \$970,000 from the State Water Resources Control Board (SWRCB) to conduct several technical studies to support the development of a drinking water policy for the Central Valley.

## **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 04-185-555-3 for the period December 1, 2004 through March 31, 2011.

The audit objectives were to determine whether CUWA's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations.

CUWA management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SWRCB and the California Natural Resources Agency are responsible for the state-level administration of the bond program.

## **METHODOLOGY**

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant deliverables were completed as required, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed CUWA's accounting records, vendor invoices, and bank statements.

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<sup>1</sup> Excerpt from the CUWA website: [www.cuwa.org](http://www.cuwa.org).

- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant deliverables required by the grant agreement were met.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

## RESULTS

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering grant funds.

Based on the procedures performed, the grant expenditures claimed complied with the grant agreement requirements. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented in Table 1.

**Table 1: Schedule of Claimed Amounts**

<b>Grant Agreement 04-185-555-3</b>	
<b>Category</b>	<b>Claimed<sup>2</sup></b>
Operating Expenses	\$ 1,526
Professional and Consulting Services	968,349
<b>Total Grant Funds</b>	<b>\$ 969,875</b>

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<sup>2</sup> SWRCB awarded \$970,000 and CUWA claimed \$969,875.